

August 14, 2014

To All Concerned Parties

Name of REIT Issuer:  
 Nippon Building Fund, Inc.  
 Tsutomu Nishikawa, Executive Director  
 (TSE Code : 8951)  
 Contact:  
 Asset Management Company  
 Nippon Building Fund Management, Ltd.  
 Kenichi Tanaka, President and CEO  
 Person to Contact:  
 Toshihiko Mori, General Manager  
 (TEL. +81-3-6259-8681)

**NIPPON BUILDING FUND INC.  
 ANNOUNCES 26th PERIOD (FIRST-HALF 2014) RESULTS**

**1. Financial Results for the Fiscal Period ended June 30, 2014  
 (from January 1, 2014 to June 30, 2014)**

(Values are rounded down to the nearest million yen)

(1) Operating Results (Percentage indicates a rate of increase/decrease from the previous period)

| Period ended     | Operating revenues |       | Operating income |       | Ordinary income |       | Net income      |       |
|------------------|--------------------|-------|------------------|-------|-----------------|-------|-----------------|-------|
|                  | Yen in millions    | %     | Yen in millions  | %     | Yen in millions | %     | Yen in millions | %     |
| June 30,2014     | 36,561             | (1.5) | 15,798           | (3.7) | 12,772          | (3.8) | 12,771          | (3.8) |
| December 31,2013 | 37,134             | 4.0   | 16,397           | 3.7   | 13,277          | 2.6   | 13,276          | 2.6   |

| Period ended     | Net income per unit | Return on unit holders' equity | Ratio of ordinary income to total assets | Ratio of ordinary income to operating revenues |
|------------------|---------------------|--------------------------------|--|--|
|                  | yen                 | %                              | %  | %  |
| June 30,2014     | 9,122               | 2.4                            | 1.2                                      | 34.9   |
| December 31,2013 | 9,592               | 2.6                            | 1.3                                      | 35.8   |

(Note1) Net income per unit = Net income ÷ Weighted average number of units issued and outstanding during the period.

(Note2) Effective as of January 1, 2014, NBF implemented the split of its investment units on a two-for-one basis. Net income per unit is calculated assuming that such split was implemented as of the beginning of the 25th Period (July 1, 2013).

(2) Distributions

| Period ended     | Distribution per unit                          | Total Amount of Distributions                  | Distribution in excess of earnings per unit | Total of distribution in excess of earnings | Payout ratio | Ratio of distributions to net assets |
|------------------|--|--|---|---|--------------|--------------------------------------|
|                  | (excluding distribution in excess of earnings) | (excluding distribution in excess of earnings) |   |   |              |                                      |
|                  | Yen  | Yen in millions                                | Yen   | Yen in millions                             | %            | %                                    |
| June 30,2014     | 8,152  | 11,510   | 0   | 0   | 90.1         | 2.2                                  |
| December 31,2013 | 17,290   | 11,964   | 0   | 0   | 90.1         | 2.3                                  |



(Note1) Effective as of January 1, 2014, NBF implemented the split of its investment units on a two-for-one basis.

(Note2) The payout ratio is calculated by using the following formula. Value after one (1) decimal place is rounded down.

$$\text{Payout ratio} = \frac{\text{Total amount of distributions}}{\text{Net income}} \times 100$$

Distribution per unit for the periods ended December 31, 2013 and June 30, 2014 respectively is calculated based on the amount of unappropriated net income less the amount of reserves for advanced depreciation (¥1,311 million for the period ended December 31, 2013, and ¥1,260 million for the period ended June 30, 2014), divided by the number of issued and outstanding units.

### (3) Financial Position

|                   | Total assets    | Net assets      | Ratio of unit holders' equity to total assets | Net assets per unit |
|-------------------|-----------------|-----------------|---|---------------------|
| Period ended      | Yen in millions | Yen in millions | %   | Yen                 |
| June 30, 2014     | 1,040,572       | 534,820         | 51.4  | 378,768             |
| December 31, 2013 | 1,022,811       | 519,198         | 50.8  | 375,143             |

(Note) Effective as of January 1, 2014, NBF implemented the split of its investment units on a two-for-one basis. Net assets per unit is calculated assuming that such split was implemented as of the beginning of the 25th Period (July 1, 2013).

(Reference) Amount of unit holders' equity  
as of the end of June 30, 2014: ¥534,820 million  
as of the end of December 31, 2013: ¥519,198 million

### (4) Cash Flows

|                   | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of period |
|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Period ended      | Yen in millions                      | Yen in millions                      | Yen in millions                      | Yen in millions                                |
| June 30, 2014     | 20,344                               | (25,963)                             | 3,443                                | 34,333   |
| December 31, 2013 | 38,159                               | (4,372)                              | (37,036)                             | 36,509   |

## 2. Forecasts for the 27th Fiscal Period (from July 1, 2014 to December 31, 2014)

(Percentage indicates rate of increase/decrease from the previous period)

|                   | Operating revenues |       | Operating income |        | Ordinary income |        | Net income      |        | Distributions per unit (excluding distribution in excess of earnings) | Distribution in excess of earnings |
|-------------------|--------------------|-------|------------------|--------|-----------------|--------|-----------------|--------|---|------------------------------------|
| Period ending     | Yen in millions    | %     | Yen in millions  | %      | Yen in millions | %      | Yen in millions | %      | Yen   | Yen                                |
| December 31, 2014 | 34,844             | (4.7) | 13,421           | (15.0) | 10,619          | (16.9) | 10,618          | (16.9) | 7,520   | 0                                  |

(Reference) Expected net income per unit (expected net income ÷ expected number of units at the end of the period) = ¥7,520



### 3. Others

(1) Changes in Accounting Policies, Accounting Estimates or Restatements

- (i) Changes in Accounting Policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to reasons other than (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

(2) Number of Investment Units Issued and Outstanding

- (i) Number of investment units issued and outstanding at the end of the fiscal period including treasury units:

|                         |                 |
|-------------------------|-----------------|
| As of June 30, 2014     | 1,412,000 units |
| As of December 31, 2013 | 692,000 units   |
- (ii) Number of treasury units at end of period:

|                         |      |
|-------------------------|------|
| As of June 30, 2014     | None |
| As of December 31, 2013 | None |

※ The Implementation Status of Statutory Audit

At the time of disclosure of this financial report, the audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act are yet to be completed.

※ Explanation on the Appropriate Use of the Forecast of Results and Other Matters of Special Consideration

The forward-looking statements concerning performance results in this material are based on the information currently available to us and certain assumptions which we believe are reasonable. Actual operating performance may differ substantially due to various factors. Furthermore, these forecasts are not intended to guarantee the amount of cash distribution.

***NBF Portfolio Profile:***

As of June 30, 2014, NBF owned or had beneficiary interests in 73 office properties containing approximately 1,074,857 rentable square meters of office space. As of June 30, 2014, NBF leased office space to 1,175 tenants engaged in a variety of businesses, compared to 1,116 tenants at the close of the preceding fiscal period. The occupancy rate of the end of the period was 97.9%, compared to 97.7% at the close of the preceding fiscal period.

***Performance Results:***

NBF conducted its investment activities in accordance with its basic policy of "investing in excellent office buildings which are highly competitive in terms of their location, size, facilities and infrastructure and are expected to have stable cash flow from rents". During the current period, NBF acquired the "Sakaisuji-Honmachi Center Building" (additional acquisition, trust beneficiary interests, acquisition price (hereinafter the same): ¥6.2 billion) in January 2014, the "Jingumae M-SQUARE" (real property (consisting of a building and a fixed-term sub-subleasehold for business), ¥3.7 billion) and the "Nakanoshima Central Tower" (co-ownership interests, ¥14.9 billion) in March 2014. On the other hand, NBF disposed of a portion of the site area of the "GSK Bldg." (disposition price: ¥3,084 million) in January 2014.

NBF endeavored to secure stable revenues from its rental business with respect to its existing portfolio through measures such as the systematic implementation of operations and management, renovation work and new construction and so forth thereby striving to further improve the level of tenant satisfaction as well as correctly capturing market trends and setting rent amounts, increasing rents upon renewal of contracts with existing tenants and so forth.

***Debt Financing:***

NBF has conducted its financial management in a conservative manner with the targeted interest-bearing debt to value ratio (ratio of interest-bearing debt to total value, hereinafter the same) being between 36% and 46%, with 56% at the maximum.

In connection with the introduction of the individual savings account system of Japan ("NISA") from January 1, 2014, in order to create an environment for investors to make investments more easily by reducing the amount of each investment unit, as of December 31, 2013 as record date and January 1, 2014 as effective date, each of the investment units of NBF was divided on a two-for-one basis, and the number of issued and outstanding investment units after the split became 1,348,000 units.

During the current period, NBF issued 28,000 new investment units (26,500 units by public offering, 1,500 units by third party allotment) in March 2014 to procure ¥14,816 million (¥14,022 million by public offering, ¥793 million by third party allotment) for the purpose of partially funding newly



acquired properties, which resulted in the total number of issued and outstanding investment units as of the end of the current period being 1,412,000 units, and the total investment amount being ¥519,124 million.

Regarding funding through interest bearing obligations such as loans etc., NBF took care to act in a financially prudent manner by utilizing highly flexible, unsecured, non-guaranteed corporate financing. With respect to such funding, on the one hand NBF utilized long-term, fixed interest loans in order to reduce risks of rising interest rates in the future with a view toward the long-term management of its assets, while simultaneously utilizing short-term loans to provide agility in funding etc. for property acquisitions. In addition, NBF manages to avoid all such loans becoming due at one time by setting diversified repayment dates.

It has also established long-term commitment lines of credit in the maximum amount of ¥60 billion in order to provide stable sources of funding thereby flexibly procuring necessary funds and reducing risks of refinancing etc. Furthermore, NBF filed in January 2013 a shelf registration creating the possibility of issuing up to a maximum of ¥200 billion in NBF bonds through public offerings, with the unused balance being ¥190 billion as of June 30, 2014.

As the result of these activities, as of the end of the current period NBF's interest-bearing debt to value ratio was 43.1% and its long-term fixed interest-bearing debt ratio (ratio of "long-term fixed interest-bearing debt" procured at fixed rates with over one-year repayment/redemption periods as of the time of loan agreements/issuances of bonds each such time representing the actual procurement of funds to "total interest-bearing debt."; hereinafter the same) was 96.4%.

**Credit Ratings:**

NBF was awarded the following issuer credit ratings as a J-REIT, which we believe facilitate its efforts to diversify sources of debt financing.

| Credit Rating Agency | Rating Summary                                  |
|----------------------|---|
| Standard & Poor's    | Long-term: A+, Short-term: A-1, Outlook: stable |
| Moody's              | Issuer Rating: A2, Outlook: stable              |
| R&I                  | Issuer Rating: AA, Outlook: stable              |

**Overview of Performance and Distribution:**

As the results of above explained operations, NBF's performance results during the reported period consisted of operating revenues of ¥36,561 million (a decrease of ¥573 million, or 1.5%, compared to the previous period), operating income from leasing activities of ¥15,405 million (a decrease of ¥529 million, or 3.3%, compared to the previous period), after asset management, custody and agent fees etc., operating income of ¥15,798 million (a decrease of ¥599 million, or



3.7%, compared to the previous period), ordinary income of ¥12,772 million (a decrease of ¥505 million, or 3.8%, compared to the previous period), and net income of ¥12,771 (a decrease of ¥505 million, or 3.8%, compared to the previous period). These decreases reflect as primary factors a decrease of profits on disposition of properties, as well as an increase of taxes and dues such as fixed assets taxes etc. due to acquisition etc. of new properties during the previous year. In accordance with the distribution policy prescribed in its Articles of Incorporation, NBF will make a distribution of ¥11,510 million to our unit holders, which amount represents the amount of unappropriated net income less the amount of reserves for advanced depreciation (¥1,260 million) pursuant to Article 64 of the Act on Special Measures Concerning Taxation, resulting in a cash distribution per unit of ¥8,152.

### ***NBF's Management Policy and Issues to be Dealt with for the Future:***

NBF conducts proper management with the aim of achieving sustainable growth in portfolio value and stable profits on a mid-term and long-term basis in accordance with the following management policies:

#### **(a) Management Policies for Existing Properties**

NBF intends to maintain the level of rental revenues by keeping a close watch on trends in the office rental market and responding flexibly to the market environment. For existing tenants, it continues to maintain good relations with them through its basic policy of improving the level of tenant satisfaction whereby it intends to maintain and improve the level of current rents, as well as to avoid contract cancellations. For new tenants, NBF intends to shorten the periods of vacancies between leases and maintain the occupancy rate by leasing activities accurately reflecting trends in the market.

As for capital investments in existing buildings, NBF will undertake appropriate and effective engineering work such as renovating facilities, improving their environmental compatibility (including compliance with environmental restrictions related to cutting CO2 emissions) or constructing new improvements, all of which will contribute to the maintenance and enhancement of their competitiveness as rental buildings.

#### **(b) Investment Policies for Newly Acquired Properties**

Due to the facts that it has potent channels of information including Mitsui Fudosan Co., Ltd., that it has accumulated know-how through its experience with diversified acquisition methods, and that it has the largest combined assets among all listed investment corporations, NBF will maximize such advantages, properly manage risks, and invest in excellent properties based on vigorous screening which can contribute to the enhancement of the quality of the entire portfolio in the medium and long terms.



NBF will also continue to make prudent investment decisions taking into full consideration the status of its financial management as well as keeping an eye on changes in financial and economic circumstances and trends in the real estate markets.

Furthermore, reviewing the structure of its entire portfolio based on the growth potential, stability, scale and location etc. of each property, NBF will implement replacement of assets from time to time.

**(c) Financial Strategies etc.**

With respect to fund procurement through debt financing, NBF will continue to focus on traditional long-term, fixed-interest financing with a view toward long-term asset management and the stability of fund procurement. At the same time, it plans to continue to issue NBF bonds with a view toward strengthening its financial base while keeping an eye on the market environment.

For the following period, the targeted interest-bearing debt to value ratio, being between 36% and 46%, will be maintained for the time being, with 56% at the maximum. NBF will continue to conduct its financial management with the targeted long-term interest-bearing debt ratio for the time being of over 90%.

Furthermore, in addition to timely disclosure at the Tokyo Stock Exchange, NBF intends to actively provide information deemed useful to those making investment decisions with respect to NBF such as various disclosure materials as well as information concerning properties, management situations and distributions etc. through enrichment of its on-line website.

**(d) Compliance and Risk Management**

In addition to compliance with all relevant laws and regulations including the Financial Instruments and Exchange Act, NBF will, in response to its ever increasing assets as well as changes in social demands or external environments, further enhance its systems for compliance and risk management in order to ensure sound and proper business management.

***Significant Subsequent Events:***

Not applicable

**Outline of Forecasts for the 27th and the 28th Periods**

As required by the timely-disclosure requirements of the Tokyo Stock Exchange, NBF announced its forecasts for the 27th fiscal period commencing July 1, 2014 and ending December 31, 2014 and for the 28th fiscal period commencing January 1, 2015 and ending June 30, 2015 as a part of “Kessan-Tanshin”. With regard to the conditions of the forecasts, please refer to the original “Kessan-Tanshin” released on August 14, 2014. An outline of the forecasts for the 27th and the 28th periods is as follows:

**Performance Forecasts:**

The forecast for the 27th period is as follows:

Operating revenues: ¥34,844 million

Net income: ¥10,618 million

Cash distribution per unit: ¥7,520

The forecast for the 28th period is as follows:

Operating revenues: ¥34,474 million

Net income: ¥10,660 million

Cash distribution per unit: ¥7,550

(Note) The above-forecasted figures are calculated based on certain conditions as of the date of such calculation, and the actual amount of net income or cash distribution may change subject to changes of circumstances. Furthermore, these forecasts are not intended to guarantee the amount of cash distribution.

**Disclaimer**

This financial report has been prepared in accordance with Japanese accounting standards and Japanese laws. Figures have been rounded down to eliminate amounts of less than one million yen. Please note that this English translation of the Japanese original document is provided solely for informational purposes. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.